



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number:	LLS 23-0956	Date:	April 6, 2023
Prime Sponsors:	Rep. Lindstedt Sen. Roberts	Bill Status:	House Finance
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Bill Topic: **MODIFICATION FILM PRODUCTION INCENTIVE**

Summary of Fiscal Impact:

<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill expands the types of expenses eligible for the film production incentive allowed to production companies under current law, and requires companies to submit information to the Department of Revenue to claim the incentive. The bill will increase state expenditures on an ongoing basis.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Summary of Legislation

Under current law, film production companies are able to claim a rebate of up to 20 percent of certain filmmaking expenses when producing films, television series, commercials, or video games in Colorado. The bill expands the types of expenses eligible for a rebate to include up to \$1 million in annual payments to a personal service corporation to pay wages to the corporation's employee-owner. The bill requires that production companies file an information return with the Department of Revenue (DOR) that shows payment to a personal service corporation in order to claim a rebate for the expense. DOR may make rules regarding the information returns to authorize any amounts withheld to be paid to the department.

The bill also repeals the exemption for film performers who are not Colorado residents from income tax wage withholding requirements, and specifies that payments to a personal service corporation are not subject to wage withholding.

Background

In 2012, the General Assembly passed a law which provides an incentive to film production companies, allowing them to claim a rebate of up to 20 percent of qualified expenditures for films, television series, commercials and video games produced in Colorado. The Office of Film, Television and Media in the Office of Economic Development and International Trade (OEDIT) receives an annual appropriation from the General Assembly to fund this rebate.

State Revenue

The bill is assessed as having no impact on state income tax revenue, but may accelerate the receipt of revenue by eliminating the withholding exemption for performers. If more taxes are withheld from wage payments, taxes received on final returns will be correspondingly reduced, with no net impact on total tax revenue.

State Expenditures

The bill increases state expenditures in OEDIT and DOR as discussed below. For both agencies, the increase in workload can be accomplished within existing appropriations.

Office of Economic Development and International Trade. OEDIT currently spends its full allocation of funding for the incentive to production companies; therefore, the bill does not change the total amount expended for the incentive. The bill may result in increased demand for the film incentive on an ongoing basis. The increase in demand is assumed to be absorbable within existing appropriations.

Department of Revenue. Ongoing increases in information returns filed with the DOR can be accomplished within existing appropriations. DOR currently has the necessary forms developed to accept these returns. Additionally, the rulemaking that the bill allows is assumed to require only a minimal increase in workload.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Information Technology

Economic Development and International Trade

Revenue